

21  
(D. Doerr)  
(D. Promani)



# State Bank of **RICHMOND**

MEMBER FDIC

2005 SEP 22 AM 9 54

September 15, 2005

FDIC – San Francisco Regional Office  
Regional Director John F. Carter  
22 Jessie Street at Ecker Square, Ste. 2300  
San Francisco, CA 94105

Dear Mr. Carteer:

The State Bank of Richmond is pleased to have this opportunity to comment on the Wal-Mart application for FDIC insurance. The State Bank of Richmond opposes Wal-Mart's application for FDIC insurance as this would inappropriately mix banking and commerce. This definitely would not be in the best interest of the public and would only serve for the self-serving interest of Wal-Mart.

Wal-Mart is the largest company in the United States and has been trying to own a bank for quite some time. In its application, the business plan is limited for the industrial loan company (ILC) and does not intend to do full-service banking. Since their previous attempts to get into banking was not as limited as the current business plan, there can be little doubt they will expand their current business plan over time into a full-service retail banking business at locations across the country. This application for deposit insurance is the appropriate place to limit Wal-Mart's entry into banking.

Our banking laws have a long history of separating banking and commerce. One reason for separating these two kinds of businesses is not to put the bank at risk if the commercial entity has financial problems. It does not make sense to put the federal deposit insurance funds at risk because a commercial entity was poorly managed. We must maintain a strong separation of commerce and banking so management of the financial institution and the commercial retail enterprise can focus on the management of their respective business.

Another reason for keeping commercial enterprises separate from ownership of a financial institution, it is anti-competitive for both financial institution and the retailer if the retailer owning the bank could offer financial products and retail products. For example, suppose the commercial retailer could give discounts on its retail products and services to everyone who opens a checking account with the retailer's bank. That ability to combine banking and commerce would put both bank competitors and retail competitors at an inappropriate disadvantage.

With Wal-Mart being as large as it is, we question whether the existing regulatory oversight rules would give the federal agency enough authority to thoroughly review the operations of the parent commercial entity. Unless the agencies are certain they could regulate both the parent commercial entity and the bank, there is a huge risk to the insurance funds and the integrity of the financial system.

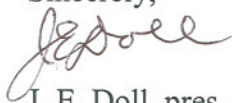
Existing banks have had to pay a lot of money to capitalize the FDIC funds. Some of these funds have recently come from new and large depositories joining the financial industry. These financial institutions did not have to pay for joining and to have another huge financial institution that will benefit from federal deposit insurance, without paying for it, is just plain wrong.

As a community bank we become very much involved in the growth and development of the community(s) we serve. The success of our community(s) is of utmost importance to the community banker. We question whether the Wal-Mart bank would have that same dedication to the communities they serve. Wal-Mart's attempt in its application to avoid responsibility under the Community Reinvestment Act is not a promising sign.;

One could argue that competition is a good thing – that a nationwide Wal-Mart Bank would mean prices will be lower for consumers. In the short run lower prices are possible but once Wal-Mart has put the small community bank out of business we could very easily see prices rise again. Just the perception that costs are lower at Wal-Mart could be enough to reduce the number of banks and as the number of banks shrink so does the amount of choices for the consumer. Even worse, Wal-Mart will be able to control businesses that might compete against them by denying loans to them.

Our nation has a long standing policy of separating banking and commerce, as confirmed by Congress in 1999 with the Gram-Leach-Bliley Act. The risk associated with changing this policy is very real. The State bank of Richmond urges the FDIC to reject Wal-Mart's application for federal deposit insurance.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. E. Doll", written in a cursive style.

J. E. Doll, pres.